
Supply chain

PROCUREMENT POLICY

The Group's procurement process is centralized and governed by the Regulations on Moscow Exchange Procurement Activities as well as procedures that dictate procurement interaction between Moscow Exchange and other Group companies.

STRATEGIC PROCUREMENT PRIORITIES

The existing procurement framework helps to make fair choices among the most technologically advanced offers, ensure appropriate transparency in relation to suppliers and promote competition.

The priorities of Moscow Exchange's supply chain management strategy are:

- ▶ transparency concerning procurement: any supplier can complete the supplier form on Moscow Exchange's website (<http://moex.com/s273>); auctions are held on the B2B electronic trading platform;
- ▶ equality, fairness, no discrimination or unreasonable restrictions on competition among procurement participants: price negotiations are held only with short-listed bidders with proposals of similar quality;
- ▶ no additional competitive commercial stage is allowed after the announcement of the final request for proposals. An exception can be made if the initiator of the tender changes the terms of reference, or if procurement is consolidated, which is considered a new procurement. However, additional commercial negotiations can only be held with the winner;
- ▶ consolidation of volumes and awarding of long-term contracts to maximize economic effect;
- ▶ aiming to expand the competitive environment by attracting alternative suppliers.

In accordance with the priorities of the strategy, all suppliers – regardless of the size of the business and the country of registration – have equal rights to participate if they comply with the transparent, justified qualification criteria.

Ensuring the effectiveness of procurement

In order to ensure effective procurement, proposals are benchmarked against the cost of service in the previous period, or the best bid is selected from a short list of proposals of similar quality. Costs are benchmarked against the market, and any changes are analyzed. Depending on the scope, transactions are approved at the level of the procurement unit, Procurement Commission, Executive Board or Supervisory Board. For each transaction, regardless of its value, procurement records are kept and approved, indicating savings achieved and methods used to measure savings. The Security Department assesses counterparty risks for all suppliers. Audit data are valid for up to one year. Based on audit results, contracts are not awarded to suppliers with a high level of risk. Assessment covers only economic risks.

Procurement volumes

	Total	Tenders	Auctions	Procurement from a single supplier (contractor, provider)	Other procurement methods	
		Open	Open, electronic		Closed	Open, electronic
Total number of tenders, other procurement methods (lots) and purchases from a sole supplier (contractor, provider)	385	0	0	174 (incl. contracts supplementary to existing ones)	130	81 (incl. orders under framework agreements executed through the ETP)
Number of awarded contracts	597	No relevant statistics are collected. The number of contracts does not match the number of procurement events (purchases) as several contracts may be awarded within one event due to scaling up to the group of companies.				
The number of contracts terminated by the parties	33					

Economic effect of tenders

	Total initial (maximum) amount of tender contracts (lots), other procurement methods and the amount of contracts (RUB mln) entered into with a sole supplier (contractor, provider)	Total amount of awarded contracts (RUB mln)	Savings	
			RUB mln	%
2016	5,712.3	4,978.4	733.9	12.8%
2017	2,745.9	2,323.4	422.5	15.4%
2018	4,372.0	3,840.0	532.0	12.2%